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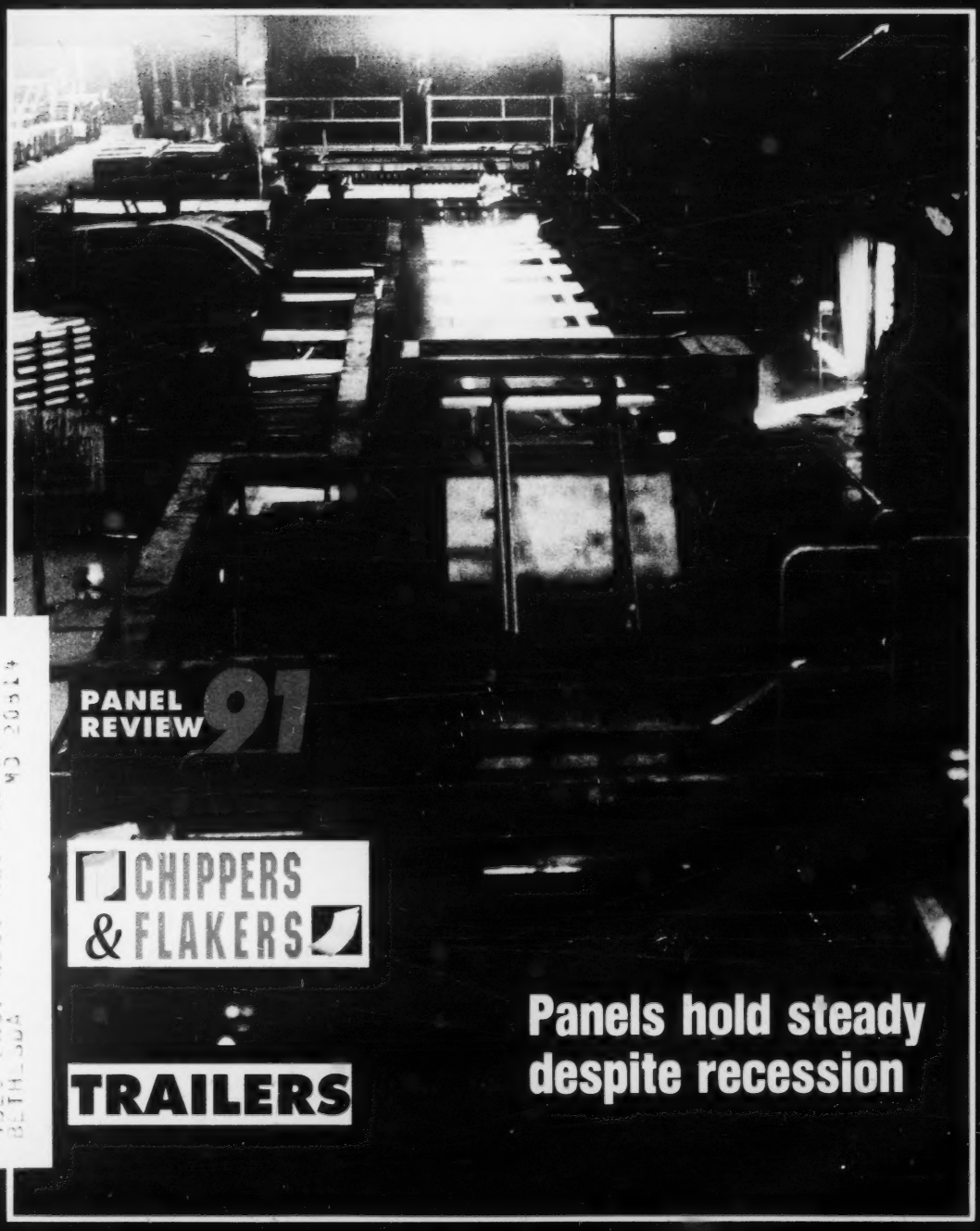

PANEL REVIEW 91

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Panels hold steady despite recession

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Panel output slips in poor market year

Despite lousy housing starts and preservationist victories, panel producers ended 1990 on a moderately successful note

Relatively speaking, wood-based panel producers in the United States fared okay in a year marked by preservationist pressures, general economic doldrums and a weak housing market. Production and shipments were down slightly in all major categories, but not so much as one would expect. Figures in the table below trace performance over the decade. In summary:

- Structural panels (softwood plywood, oriented strand board, waferboard and oriented waferboard) edged downward for the second consecutive year after production peaked in 1988 at 27.2 billion ft² (⅜-in. basis). Output slipped 2.6% from that level but settled only another 0.6% in 1990 to 26.3 billion ft².
- Particleboard shipments eased off last year's record by 2.5% to an estimated 3.76 billion ft² (¾-in. basis).
- Medium-density fiberboard shipments, which had been moving upward annually since 1983, dropped 4.1% to reverse the trend.
- Hardboard shipments decreased 3.3% to 5.0 billion ft² (⅛-in. basis).

Structural panels

The American Plywood Assn. predicts structural panel production will slide another 5% this year to 25 billion ft², based on the association's estimate of housing starts at 1,073,000 units. The trend should reverse in 1992, however, when structural panel production is projected at 26.6 billion ft² and housing starts at 1.25 million units.

In presenting this forecast to APA directors, general manager Bruce E. Lyons noted that APA's estimates of housing starts is conservative in comparison with some others: National Assn. of Home Builders has forecast 1.15 million for 1991, while Resource Information Systems Inc. has estimated 1.260 million units will be started in 1991 and another 1.6 million in 1992.

APA members in the West have borne the brunt of preservationist efforts to place old-growth timber, spotted owl habitat and other selected stands off limits to logging. This factor, combined with depressed markets overall, has taken its toll: the association estimated in late February that 46% of U.S. panel mills operating in 1990 had either shut down permanently, were temporarily closed or had curtailed production.

"The association's strategy in the coming months will be to maintain promotional thrust in all areas of the marketplace where opportunities exist to increase demand. At the same time, we are following the long-standing APA practice of adjusting our programs and operations to the

U.S. panel production, 1980-1990 (thousand ft²)

Year	Structural panels (⅜-in. basis)	Particleboard[1] (¾-in. basis)	MDF[1] (¾-in. basis)	Hardboard[1] (⅛-in. basis)
1980	18,468,000	2,949,587	493,140	8,140,000
1981	17,023,000	2,669,352	516,102	6,104,000
1982	16,402,554	2,393,086	446,157	5,586,918
1983	20,821,342	3,009,343	604,323	7,302,702
1984	21,967,917	3,195,586	633,974	6,837,118
1985	22,838,170	3,330,517	684,593	6,300,146
1986	25,632,830	3,602,757	780,598	5,822,326
1987	27,001,000	3,705,560	899,282	5,457,508
1988	27,202,822	3,829,021	938,717	5,117,857
1989	26,490,320	3,858,226	970,001	5,195,651
1990	26,337,186	3,760,000[2]	930,000[2]	5,026,326

[1] Shipments. [2] Estimated. SOURCES: American Plywood Assn., National Particleboard Assn., Association of Hardboard Assn.

realities of supply and demand," said president William T. Robison.

APA is maintaining its aggressive export market development program, with offices in five overseas cities. Gregory Forest Products Inc. of Glendale, Ore., in December 1990 became the first APA member company with authority to apply the Japan Agricultural Standard (JAS) stamp in its own plant under the Foreign Testing Organization certification granted APA IN 1989.

Draft standards for a harmonized performance standard for U.S. and Canadian plywood sheathing were approved recently by the Canada-U.S. Binational Committee on Plywood Standards. While many steps remain to be taken down the trail to harmonization, this action was viewed as a major milestone.

Particleboard and MDF

National Particleboard Assn. has released its 1991 annual capacity survey, which tabulates annual U.S. particleboard capacity at 4.677 billion ft² and MDF capacity at 1.047 billion ft² (both ¾-in. basis). Both figures are up slightly from the 1990 survey.

MDF capacity will increase this year by 100 million ft² upon completion of the Willamette Industries plant in Bennettsville, S.C. No changes in particleboard capacity are forecast by NPA for 1991.

Two particleboard and two MDF plants are forecast for completion beyond 1991:

- Mill's Pride Inc., Waverly, Ohio, particleboard, 68 million ft², 1993.
- Masonite Corp., Waverly, Va., particleboard, 100 million ft², 1994.
- Paris Fiber Inc., Paris, Tenn., MDF, 90 million ft², 1992.
- Reincorp International Inc., Washington County, Ala., MDF, 100 million ft², 1993.

The Particleboard/MDF institute continues to grow in membership and expand its programs. The institute now has over 60 members committed to promoting increased use of products containing particleboard and MDF.

The institute's promotional programs in 1991 will be directed toward education of furniture sales staff at the retail level. Educational materials are being developed and the institute is working closely with the National Home Furnishings Assn.

Hardboard

Basic hardboard and siding shipments last year were both down 3% from 1989, according to the American Hardboard Assn. The industry expects total shipments in 1991 to decline slightly ahead of an upturn in the second half. Estimates are based on housing starts of around one million units.

Even though housing will continue to be a soft market, the association is positioning itself for the future, noted executive vice president C. Curtis Peterson. Coinciding with an increase in the use of hardboard siding in the custom home market, AHA has incorporated a "hardboard home of the year" contest for builders into its promotion program. Winners will be announced in May.

The association is also using this period to expand basic research into panel properties and incorporation of post-consumer newsprint into industry products. ■

Canadian production also down slightly

Wood-based panel production from Canadian mills declined in the neighborhood of 9% to 10% last year in comparison with the year before. As the table shows, production of construction plywood declined 8.9%, particleboard production slipped 10.4%, and output of waferboard and OSB combined softened by 9.0%. Figures were supplied by Statistics Canada.

Waferboard/OSB production had been climbing steadily up through last year, when it breached the 2 million-m³ level before settling down to 1.966 million m³ in 1990. Construction plywood and particleboard have failed annually to eclipse record production levels set in 1987.

The British Columbia plywood industry reported a drop in both production and shipments in 1990. Member mills of the Council of Forest Industries of B.C., which account for approximately 70% of all Canadian softwood plywood, produced 1.6 billion ft² (⅜-in. basis) in 1990, a 10% drop from 1989.

Canadian panel production, 1984-90 (m³)

Year	Const. plywood	Particleboard	Waferboard/OSB
1990	1,971,541	1,146,018	1,965,827
1989	2,165,356	1,279,414	2,159,961
1988	2,161,658	1,213,364	1,646,663
1987	2,229,000	1,355,107	1,607,171
1986	1,876,896	1,139,253	1,347,638
1985	1,957,887	1,047,500	1,336,566
1984	1,846,369	843,346	1,190,254

SOURCE: Statistics Canada

Domestic and export shipments shared in the decline. Exports in 1990 accounted for 284 million ft², down 12% from 1989, while domestic shipments were 1.298 billion ft², down 11%.

"Our industry has been hit hard on many fronts," said Peter Metcalfe, COFI's plywood marketing manager. "We've been feeling the impact from the deepening recession in Canada, high interest rates, the high Canadian dollar, increased competition from other panel products and the cost crunch resulting from higher stumpage rates.

He indicated bright spots on the horizon: "Interest rates are starting to drop and that, combined with a projected increase in Canadian immigration, should help stimulate the Canadian housing market, which is the main plywood customer."

Excellent growth potential is seen in the Japanese market, where exports in 1990 were up by 32% over 1989. The COFI Plywood Technical Center in 1990 completed registration of all member plywood mills seeking JAS certification.

The technical center last year developed a new panel edge profile, to be available in the spring of 1991. It is considered an improvement over the standard tongue-and-groove profile, particularly in floor construction. ■

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